

# Pittsburg State University Annual Financial Report

For the Fiscal Year ended June 30, 2014

Pittsburg, Kansas

# PITTSBURG STATE UNIVERSITY

Annual Financial Report

For the Fiscal Year Ended June 30, 2014

## Kansas Board of Regents

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Ann Brandau-Murguia .....	Kansas City
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Misty D. Button, B.B.A., M.B.A. ....	Assistant Controller
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# **Pittsburg State University**

## **Management's Discussion and Analysis**

### **For the Year Ended June 30, 2014**

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of Pittsburg State University (the "University") based on currently known facts, decisions and conditions and is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles. This discussion – along with the financial statements and related footnote disclosures – has been prepared by management and should be read in conjunction with the statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

#### **USING THIS ANNUAL REPORT**

This report consists of the three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These financial statements are prepared in accordance with GASB Statement 35 – and Management's Discussion and Analysis – for Public Colleges and Universities, as amended by GASB Statements 37 and 38. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole.

#### **STATEMENT OF NET POSITION**

The Statement of Net Position presents the assets, liabilities, and net position of the University at a point in time (at the end of the fiscal year). Its purpose is to present a financial snapshot of the University. The Statement of Net Position includes all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Under the accrual basis of accounting all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Within the Statement of Net Position, assets and liabilities are further classified as current or non-current. Current classification distinguishes those assets that are highly liquid and available for immediate and unrestricted use by the University and those liabilities likely to be settled in the next 12 months.

Net Position is divided into three categories:

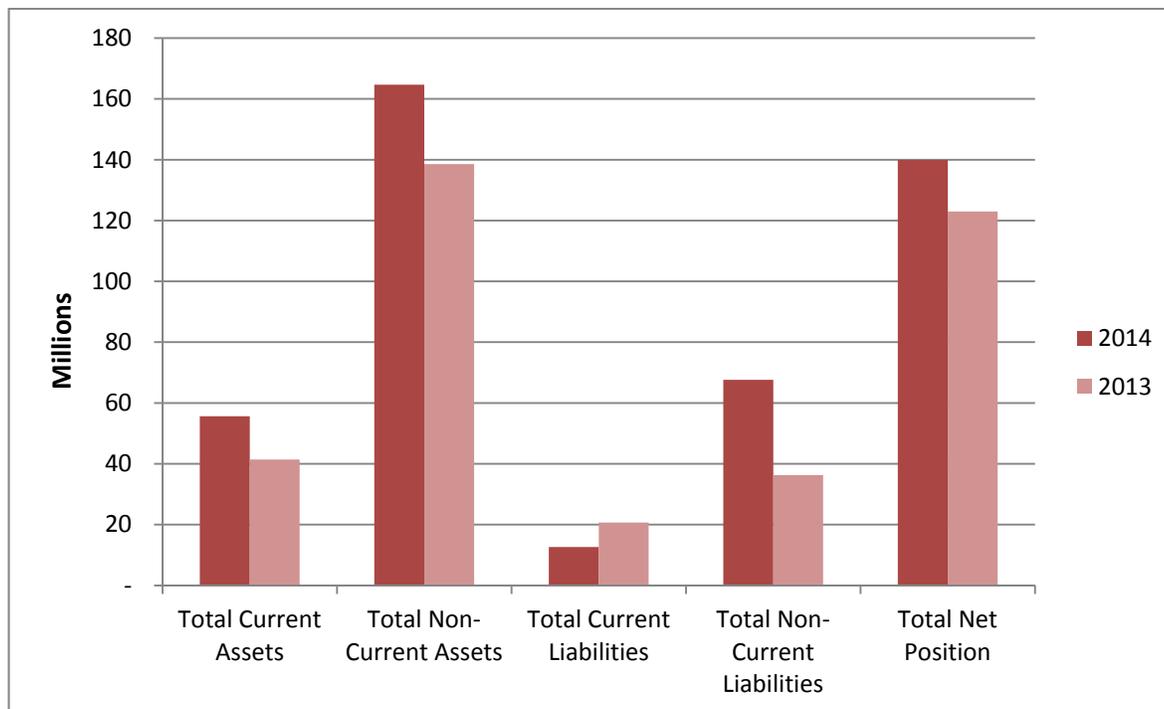
1. **Invested in capital assets, net of debt**, indicates the university's equity in property, plant, and equipment owned by the University.
2. **Restricted net position** is further divided into two subcategories, non-expendable and expendable. The corpus of non-expendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purposes restrictions on the use of the assets.
3. **Unrestricted net position** is available to the University for any lawful purpose of the institution.

Total assets at June 30, 2014 were \$220.2 million, an increase of \$40.2 million or 22.3% compared to \$180.0 million at June 30, 2013. Capital assets, net of depreciation, comprised 73.1%, or \$160.9 million of the total assets.

Total liabilities were \$80.3 million at June 30, 2014, an increase of \$23.3 million or 40.9% compared to \$57.0 million at June 30, 2013. Noncurrent liabilities comprised 84.2%, or \$67.6 million of the liabilities.

Total net position at June 30, 2014 was \$139.9 million, a \$16.9 million increase over the prior year of \$123.0 million or a 13.8% increase in net position. The breakout of net position is shown below:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Capital assets, net of related debt	\$ 93,214,252	\$ 98,657,506
Restricted net position	30,524,972	9,819,545
Unrestricted net position	<u>16,239,464</u>	<u>14,563,703</u>
<b>Total net position</b>	<u><u>\$139,978,688</u></u>	<u><u>\$123,040,754</u></u>



## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the total revenues earned and expenses incurred by the University for operating, non-operating and other related activities during a period of time. Its purpose is to assess the University's operating results.

### Revenues

Operating revenues at the University as of June 30, 2014 increased by 4.4% over the previous fiscal year. The following is a brief summary of the significant changes:

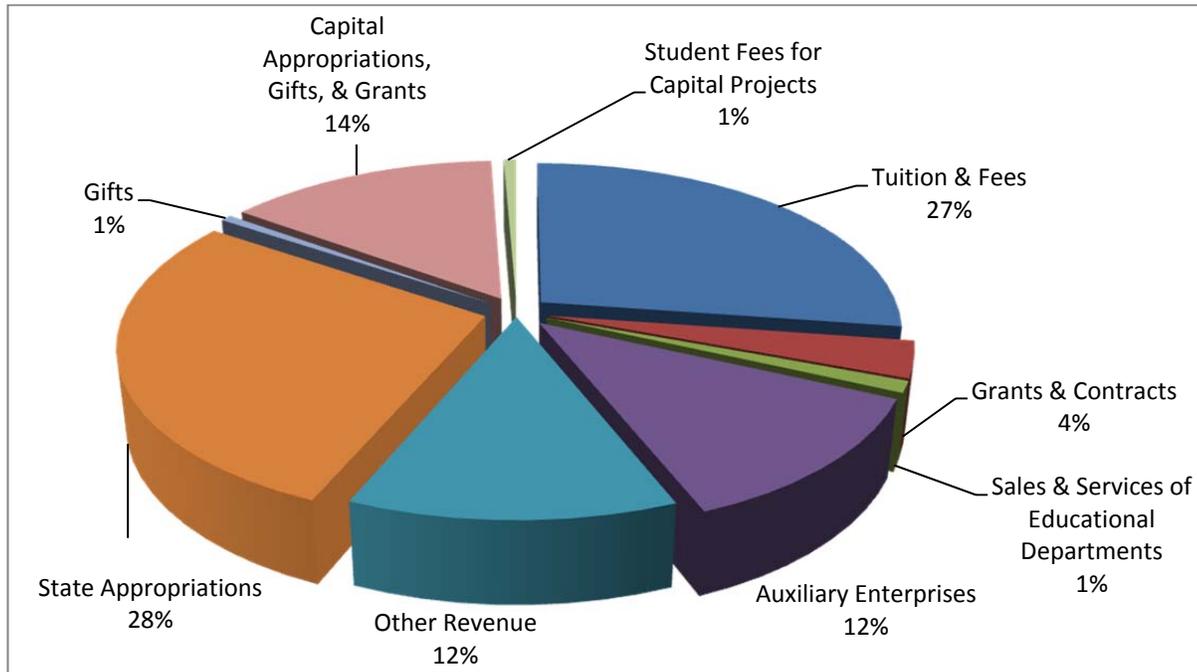
- Student tuition and fee revenues, after scholarship allowances, were \$33.3 million in 2014, compared to \$31.7 million in 2013, a net increase of 5.0%.
- Federal grants and contracts increased 12.5% from \$2.4 million in 2013 to \$2.7 million in 2014.

- Auxiliary enterprise revenues, increased 3.5% from \$14.4 million to \$14.9 million in 2014. Auxiliary enterprises include University Housing, Parking Services, Health Services, Student Center, Athletics, and Student Publications. Auxiliary enterprise revenues are 27.0% of total operating revenue.

Total non-operating revenues were down 7.6% from \$55.4 million to \$51.2 million. The following is a brief summary of the significant changes:

- Gifts decreased from \$2.36 million in 2013 to \$2.05 in 2014. Capital Grants and Gifts increased from \$5.2 million in 2013 to \$14.0 million. See Capital Assets section for details.
- Other non-operating revenues decreased from \$17.2 million in 2013 to \$13.6 million.

Revenues for fiscal year 2014 are displayed in the following graph:



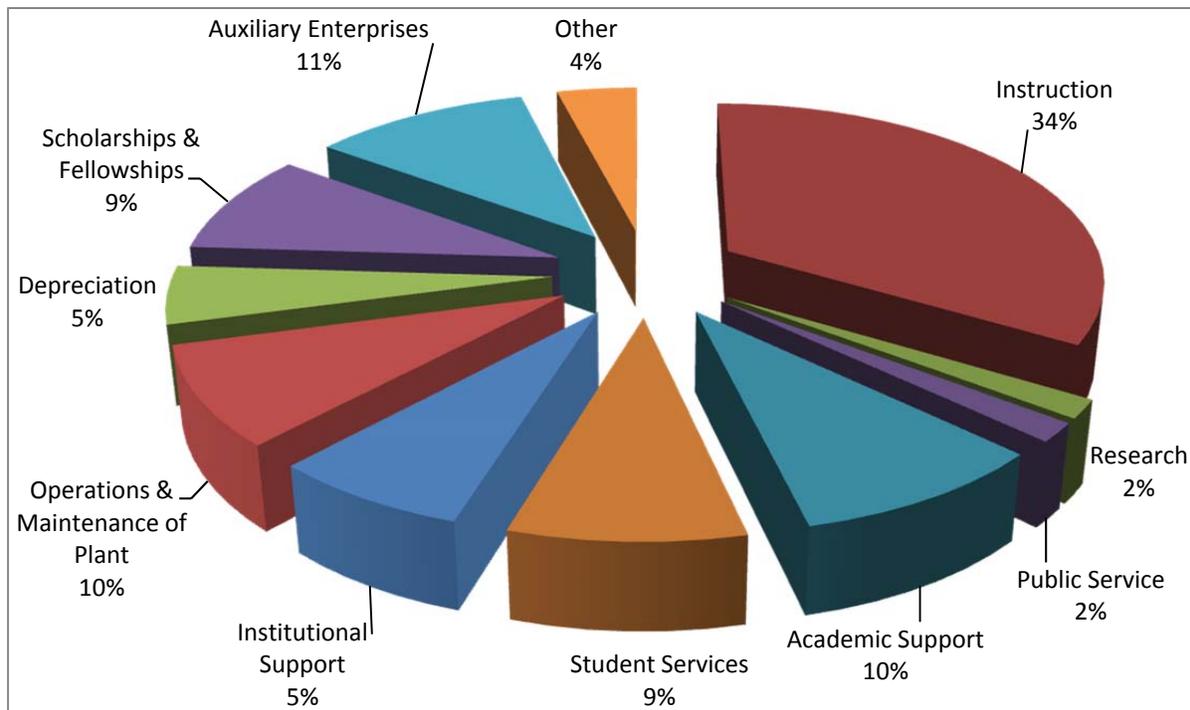
## Expenses

Operating expenses increased \$1.7 million, from \$101.5 million for the 2013 fiscal year to \$103.2 million for the 2014 fiscal year. The following is a brief summary of the significant changes:

- Instruction expenses, which comprise 35.21% of total operating expenses, were \$36.3 million in 2014, an increase of \$0.9 million or 2.5%, compared to \$35.4 million in 2013. Instruction includes expenses from academic departments campus wide.
- Research expenses increased \$0.3 million, or 16.7%, from \$1.8 million to \$2.1 million.
- Student Services increased 2.2% from \$8.9 million in 2013 to \$9.1 million in 2014.
- Auxiliary enterprise expenses, which include University Housing, Parking Services, Health Services, Student Center, Athletics, and Student Publications, decreased from \$11.5 million in 2013 to \$10.9 million in 2014.

- Non-operating expenses consist of interest expense and other non-operating expenses. Interest expense decreased 4.2%, from \$2.5 million to \$2.4 million.

Expenses for fiscal year 2014 are displayed in the following graph:



### Extraordinary Items

The University did not have any special and extraordinary items in 2014.

### Endowment Expenses Paid On Behalf of the University

The Pittsburg State University Foundation, Inc. is an independent, not-for-profit organization, whose primary mission is to raise funds for the University, provide direct and indirect support to the University that is not entirely reflected in the University's Statement of Revenues, Expenses, and Changes in Net Position. Expense items paid on behalf of the University by the Foundation include expenses such as travel, supplies, equipment, books, and construction. Total University support provided by the Foundation was approximately \$2.0 and \$2.4 million in 2014 and 2013, respectively. Capital Gifts from the Foundation was approximately \$14.0 and \$5.2 million in 2014 and 2013. This is largely due to Capital Projects using private donations, which are described in further detail in the Capital Assets section. The Foundation's financial statements are included in the appendices of this annual financial report.

### Net Position

Net position increased by \$16.9 million over the previous fiscal year.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents cash receipts and payments of the University during a period of time. Its purpose is to assess the University's ability to generate future net cash flows and meet its obligations as they come due. The following is a condensed statement of cash flows for the years ended June 30, 2014 and 2013:

	June 30, 2014	June 30, 2013
Net Cash provided (used) by:		
Operating activities	\$(40,219,230)	\$(42,096,742)
Non-capital financing activities	37,284,637	38,057,457
Capital and related financing activities	16,636,924	12,437,396
Investing activities	322,792	201,952
Net increase (decrease) in cash	14,025,123	8,600,063
Beginning cash and cash equivalent balances	38,321,097	29,721,034
Ending cash and cash equivalent balances	<u>\$ 52,346,220</u>	<u>\$ 38,321,097</u>

Cash provided by operating activities includes tuition and fees, grant and contract revenues, sales of educational activities and auxiliary enterprises. Cash flows from operating activities will always be negative because GASB requires state appropriations to be reported as cash flows from non-capital financing activities. Cash flows from capital financing activities include all plant funds related long-term debt activities. Cash flows from investing activities show all uses of cash and cash equivalents to purchase investments, and all increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments.

## CAPITAL ASSETS

The University continued to invest in capital assets during the 2014 fiscal year. Additional detailed information regarding capital asset additions, retirements and depreciation is available in Note 6 to the financial statements.

There were no construction projects completed during the fiscal year.

Additionally, the University was involved in construction projects that were under construction or in planning and design phases at year-end:

- The Housing System Maintenance and Improvement project was started in the summer of 2009 and is expected to take several years. The \$16 million project includes improvements to seven existing student housing facilities. The renovations will provide new exterior windows; student room doors; exterior entrance, corridor access, and stairwell doors; floor coverings; ceiling and lights; and all new surface finishes. It also includes renovation of restroom and shower/bath facilities and upgrades to two dorms' HVAC distribution systems. Bowen Hall, the first of seven existing dorms, was started in May of 2009 and completed in August 2009. Trout Hall, the second dorm renovation, was started in May 2010 and completed in August 2010. Tanner Hall, the third dorm renovation, was started in May of 2011 and completed in August 2011. Tanner Hall Annex, the fourth dorm renovation, was started in May of 2012 and completed in August of 2012. Dellinger Hall, the fifth dorm renovation, was started in May of 2013 and completed in August 2013. Nation Hall West, the sixth dorm renovation, was started in May of 2014 and was completed in August of 2014. The final dorm renovation will be Nation Hall East and is scheduled to complete August of 2015. These projects are financed by revenue bonds to be repaid from housing revenues.
- The Bicknell Family Center for the Arts will provide two new performance venues, lobby, gallery and back-of-the-house spaces with all the benefits of technology. The new facility will greatly enhance the ability to provide state-of-the-art space for presentations, performances, exhibitions, and a wide range of special events and cultural activities. Construction documents and bidding were completed in October of

2012. Construction began in November of 2012 and is scheduled to complete in the Fall of 2014. This project is funded with private donations and student fees.

- The JHO Student Center Expansion will provide an expanded ballroom with improved site line and audio visual capabilities. This expansion includes an addition to the east which will provide a much needed campus activities center complex that includes student organization offices, more student gathering spaces, lounge space, and meeting rooms. Construction documents and bidding were completed in March of 2013. Construction began in May of 2014 and is scheduled to complete Spring of 2015 This project is funded with student fees.
- The Robert W. Plaster Center will be located directly adjacent to the Weede P.E. Building. It will be a new multi-use facility that includes an indoor track, spectator seating, concession, public restrooms, locker rooms and weight room. The facility includes areas for field events and practice areas for soccer and football. Construction began in January of 2014 and is scheduled to complete in Spring of 2015. This project is funded with private donations and student fees.
- The Heckert-Wells New HVAC and Lab Hood Systems project includes providing a new heating, cooling and ventilation system in conjunction with replacing existing lab hoods and providing a new dedicated exhaust air system. Construction documents and bidding were completed in January of 2014. Construction began in April of 2014 and is scheduled to complete in Fall of 2014 This project is funded with State of Kansas Rehabilitation and Repair funding.
- The Weede Physical Education Building Renovation will provide renovated locker rooms, added air conditioning, corridor and restroom remodel, addition of a tiered lecture and video classroom, and expanding and remodeling the athletic training room. This project is currently in the design phase. The design team was hired in May of 2014. This project is funded with student fees.

## **DEBT ADMINISTRATION**

At June 30, 2014, the University had \$63.535 million in debt outstanding.

Debt was issued in fiscal year 2005 to finance the Polymer Research Center project, Lease Revenue Bonds Series 2005D for \$3.0 million. Standard & Poor's rated the state's lease revenue bonds "AA" based on a state annual appropriation lease pledge.

Debt was issued in fiscal year 2009 to finance the Bryant Student Health Center project, Revenue Bonds Series 2009G for \$0.8 million. The bonds have been assigned a rating of "A" by Standard & Poor's Ratings Services. Prior to receipt of the Bryant Student Health Center project bond revenue, Series 2009G, the Kansas Board of Regents authorized the sale of bond anticipation notes, Series 2009-3, for \$1.5 million to temporarily fund the related construction and project costs. The stated \$1.5 million bond anticipation note was paid in fiscal year 2009 by Bryant Student Health Center bond proceeds, Series 2009G, and Bryant Student Health Center private gifts.

Debt was issued in fiscal year 2009 to finance the University Parking System project, Revenue Bonds Series 2009J for \$4.5 million. The bonds have been assigned a rating of "A" by Standard & Poor's Ratings Services. Prior to receipt of the University Parking System bond revenue, Series 2009J, the Kansas Board of Regents authorized the sale of bond anticipation notes, Series 2009-2, for \$4.0 million to temporarily fund the related construction and project costs. The stated \$4.0 million bond anticipation note was paid in fiscal year 2009 by University Parking System bond proceeds, Series 2009J.

Debt was issued in fiscal year 2009 to finance the Housing System Improvement project, Revenue Bonds Series 2009H for \$14.6 million. The bonds have been assigned a rating of "A" by Standard & Poor's Ratings Services. Prior to receipt of the Housing System Improvement Project bond revenue, Series 2009H, the Kansas Board of Regents authorized the sale of bond anticipation notes, Series 2009-1, for \$1.0 million to temporarily fund the

related construction and project costs. The stated \$1.0 million bond anticipation note was paid in fiscal year 2009 by Housing System Improvement bond proceeds, Series 2009H.

Debt was issued in fiscal year 2011 to finance the University Energy Conservation Projects, Revenue Bonds Series 2011D for \$9.465 million. The bonds have been assigned a rating of "A" by Standard & Poor's Ratings Services.

Debt was issued in fiscal year 2014 to finance the Bicknell Center for the Arts, renovations to the Overman Student Center, and the Plaster Event Center. Proceeds from the bond were also used to re-finance Revenue Bonds Series 2003 A-1 and A-2, Revenue Bonds Series 2004D, and to refund Bond Anticipation Note Series 2012-3. Revenue Bonds Series 2014A have been assigned a rating of "A1" by Moody's Investors Service.

More detailed information about the University's noncurrent liabilities is available in Notes 8, 9, and 10 to the financial statements.

## **ECONOMIC OUTLOOK**

Though the Kansas economy has shown moderate growth, significant concerns persist regarding the uncertainty of Federal Government fiscal policies and State General Fund income. According to the Kansas Division of Budget and Kansas Legislative Research Department, individual income tax revenue was down 24.3% during fiscal year 2014. They also indicate that current projections for fiscal year 2015 State General Fund revenues are \$205.9 million, or 3.4%, below previous estimates. Additionally, early estimates for fiscal year 2016 indicate that the state may be forced to reduce expenditures by up to \$435 million. State appropriations made up 32.8% of the University's total revenue during fiscal year 2014.

Enrollment for the academic fall 2014 semester was 7,479, the highest in the University's history. Enrollment projections continue to be positive.

The University is not aware of any additional currently known facts, decisions, or conditions that are expected to have significant effect on the financial position or results of operations during fiscal year 2014 beyond unknown variations having a global effect on all types of business operations.

**Pittsburg State University**  
**Statement of Net Position**  
**As Of June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 25,652,609	\$ 21,732,625
Restricted cash and cash equivalents	26,693,611	16,588,472
Accounts receivable, net	1,761,431	1,677,690
Loans to students, net	633,893	643,945
Inventories	314,253	296,229
Prepaid expenses	482,373	468,253
Total current assets	55,538,170	41,407,214
Noncurrent Assets		
Restricted investments	84,493	205,668
Loans to students, net	3,745,625	3,799,934
Capital assets, net	160,866,331	134,567,273
Total noncurrent assets	164,696,449	138,572,875
Total Assets	220,234,619	179,980,089
<b><u>DEFERRED OUTFLOWS</u></b>		
	-	-
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable and accrued liabilities	4,345,036	3,747,499
Deferred revenue	2,611,352	3,037,927
Accrued compensated absences	2,686,927	2,366,781
Revenue bonds payable - current portion	1,965,000	1,635,000
Bond anticipation note payable - current portion	-	8,998,205
Capital leases payable - current portion	358,616	337,375
Deposits held in custody for others	647,153	545,344
Total current liabilities	12,614,084	20,668,131
Noncurrent Liabilities		
Other postemployment healthcare benefits	3,110,000	2,763,000
Capital leases payable	2,961,847	3,308,204
Revenue bonds payable	61,570,000	30,200,000
Total noncurrent liabilities	67,641,847	36,271,204
Total Liabilities	80,255,931	56,939,335
<b><u>DEFERRED INFLOWS</u></b>		
	-	-

**Pittsburg State University  
Statement of Net Position  
As Of June 30, 2014 and 2013**

<b><u>NET POSITION</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Invested in capital assets, net of related debt	93,214,252	98,657,506
Restricted for		
Expendable		
Scholarships and fellowships	3,098	7
Research	556,275	313,741
Instructional department uses	848,594	716,138
Loans	4,906,665	5,074,304
Capital projects	20,772,401	1,947,795
Debt services	3,514,064	1,970,521
Other	(76,125)	(202,961)
Unrestricted	<u>16,239,464</u>	<u>14,563,703</u>
 Total Net Position	 <u><u>\$ 139,978,688</u></u>	 <u><u>\$ 123,040,754</u></u>

*See accompanying notes to financial statements*

**Pittsburg State University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2014 and 2013**

	2014	2013
<b><u>OPERATING REVENUES</u></b>		
Tuition and fees (net of scholarship allowances of \$8,417,253 and \$8,140,565 in 2014 and 2013, respectively)	\$ 33,322,073	\$ 31,684,813
Federal grants and contracts	2,690,016	2,364,741
State and local grants and contracts	1,029,351	868,959
Nongovernmental grants and contracts	474,279	405,571
Sales and services of educational departments	1,330,886	1,206,105
Auxiliary enterprises:		
Housing	8,731,796	8,536,037
Parking	638,920	654,546
Health Services	1,385,014	1,388,933
Student Center	1,117,290	1,126,802
Athletics	2,881,131	2,587,356
Student Publications	136,773	139,730
Interest earned on loans to students	84,011	86,702
Other operating revenues	1,319,123	1,764,229
Total operating revenues	55,140,663	52,814,524
 <b><u>OPERATING EXPENSES</u></b>		
Educational and General		
Instruction	36,296,272	35,420,193
Research	2,101,775	1,795,816
Public Service	1,750,618	1,783,018
Academic support	10,154,430	9,888,227
Student services	9,052,222	8,876,439
Institutional support	8,027,560	7,567,946
Operations and maintenance of plant	10,112,577	9,330,404
Depreciation	5,729,906	5,480,838
Scholarships and fellowships	8,938,929	9,583,514
Auxiliary enterprises:		
Housing	5,403,864	5,778,413
Parking	235,277	217,441
Health Services	1,321,964	1,282,383
Student Center	1,017,483	1,201,162
Athletics	2,782,863	2,851,420
Student Publications	140,386	149,333
Other	137,942	281,728
Total operating expenses	103,204,068	101,488,275
Operating Income (Loss)	(48,063,405)	(48,673,751)

**Pittsburg State University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
State appropriations	34,427,958	34,808,845
Gifts	2,049,333	2,356,841
Investment income	201,617	201,952
Interest expense	(2,374,679)	(2,536,405)
Student fees for capital projects	908,238	873,508
Other nonoperating revenues	13,621,649	17,193,734
Other nonoperating expenses	(1,338,415)	(1,413,174)
Net nonoperating revenues (expenses)	47,495,701	51,485,301
Income before other revenues, expenses, gains, or losses	(567,704)	2,811,550
Capital appropriations	3,530,534	1,644,994
Capital grants and gifts	13,975,104	5,189,819
	17,505,638	6,834,813
Increase In Net Position	16,937,934	9,646,363
Net position - beginning of year	123,040,754	113,394,391
Net position - end of year	\$ 139,978,688	\$ 123,040,754

**Pittsburg State University**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 39,991,139	\$ 36,994,836
Sales and services of educational activities	1,330,886	1,206,105
Auxiliary enterprises:		
Housing	4,399,080	4,681,254
Parking	519,939	578,068
Health Services	136,394	82,188
Student Center	284,223	4,504
Athletics	384,145	102,953
Student Publications	(3,825)	(9,140)
Grants and contracts	3,892,500	4,080,808
Payments to suppliers	(14,735,393)	(14,286,682)
Payments to utilities	(2,561,810)	(2,220,062)
Compensation & benefits	(60,661,877)	(60,662,406)
Payments for scholarships and fellowships	(14,646,845)	(14,393,140)
Loans issued to students and employees	(792,687)	(634,181)
Collections on loans issued to students and employees	707,680	555,249
Other receipts (payments)	<u>1,537,221</u>	<u>1,822,904</u>
Net Cash Flows from Operating Activities	<u>(40,219,230)</u>	<u>(42,096,742)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	34,427,958	34,808,845
Noncapital debt proceeds	10,820,000	-
Noncapital debt payments	(10,820,000)	-
Gifts	2,049,333	2,356,841
Federal family education loan receipts	26,001,082	28,867,007
Federal family education loan disbursements	(26,001,082)	(28,867,007)
Student organization agency transactions	26,304	38,500
Other	<u>781,042</u>	<u>853,271</u>
Net Cash Flows from Noncapital Financing Activities	<u>37,284,637</u>	<u>38,057,457</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from capital debt	24,355,000	8,998,205
Capital appropriations	2,583,000	2,583,000
Capital Grants and gifts	13,975,104	5,189,819
Student fees for capital projects	908,238	873,508
Purchases of capital assets	(31,987,932)	(11,558,439)
Principal paid on capital debt and leases	(1,978,599)	(2,022,207)
Interest paid on capital debt and leases	(1,812,469)	(1,928,751)
Disposal of asset	-	-
Other	<u>10,594,582</u>	<u>10,302,261</u>
Net Cash Flows from Capital Financing Activities	<u>16,636,924</u>	<u>12,437,396</u>

**Pittsburg State University**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	121,175	-
Investment income	201,617	201,952
Purchase of investments	-	-
	<u>322,792</u>	<u>201,952</u>
Net change in cash and cash equivalents	14,025,123	8,600,063
Cash and cash equivalents-beginning of year	38,321,097	29,721,034
Cash and cash equivalents-end of year	<u>\$ 52,346,220</u>	<u>\$ 38,321,097</u>
<b>RECONCILIATION</b>		
Operating income (loss)	\$ (48,063,405)	\$ (48,673,751)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	5,729,906	5,480,838
Changes in assets and liabilities:		
Accounts receivable, net	(83,741)	(575,768)
Loans to students, net	64,361	169,871
Inventories	(18,024)	(49,615)
Prepaid expenses	(14,120)	(5,276)
Accounts payable and accrued liabilities	597,537	512,519
Deferred revenue	799,301	415,269
Accrued compensated absences	320,146	217,046
Other postemployment healthcare benefits	347,000	365,000
Deposits held in custody for others	101,809	47,125
	<u>\$ (40,219,230)</u>	<u>\$ (42,096,742)</u>

*See accompanying notes to financial statements*

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 1 – Summary of Significant Accounting Policies**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements have not been audited.

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Organization.** Pittsburg State University is a regional, comprehensive, four-year state university serving the residents of Kansas and the four-state region of Kansas, Missouri, Oklahoma, and Arkansas. The university has an enrollment of more than 7,000 students where students may choose from more than 100 undergraduate and graduate programs within the College of Education, the College of Business, the College of Technology and the College of Arts and Sciences. The University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, and is governed by the Kansas Board of Regents and is an agency of the State of Kansas. As an agency of the State of Kansas, the University is included in the financial report of the State of Kansas.

**Financial Reporting Entity.** As required by accounting principles generally accepted in the United States of America, these financial statements present the combined financial position and financial activities of the University and the Pittsburg State University Research Foundation, Inc. The financial activity and balances of the Pittsburg State University Foundation, Inc. and the Pittsburg State University Alumni Association, Inc. may be found following the University's financial statements and notes.

**Basis of Accounting.** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

**Cash Equivalents.** For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Investments.** The University accounts for its investments at fair value in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

**Accounts Receivable.** Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**Inventories.** Inventories are carried at cost.

**Prepaid Expenses.** Prepaid expense consist primarily of deferred summer school expenses.

**Noncurrent Cash and Investments.** Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the Statement of Net Assets.

**Capital Assets.** Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if the related project cost exceeds \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 25 years for infrastructure and land improvements, 8 years for equipment, 5 years for vehicles, and 3 years for software.

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Deferred Revenues.** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include summer school tuition not earned during the current year, amounts received from grant and contract sponsors that have not yet been earned and certain capital appropriations which remain unspent at the end of the fiscal year.

**Compensated Absences.** Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as an expense in the Statement of Revenues, Expenses, and Changes in Net Position.

**Deposits Held In Custody For Others.** Deposits held in custody for others consists primarily of student organizations' moneys administered by the University.

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of revenue bonds payable, capital lease obligations with contractual maturities greater than one year, and estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

**Deferred Inflows/Outflows.** In accordance with GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, deferred outflows and deferred inflows result from the transactions of the consumption or acquisition of net assets in one period that are applicable to future periods. These items are reported separately from assets and liabilities. There were no Deferred Inflows or Deferred Outflows at June 30, 2014 or June 30, 2013

**Net Position.** The University's net position is classified as follows:

*Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted net position – expendable:* Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Restricted net position – nonexpendable:* Restricted nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Unrestricted net position:* Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

**Tax Status.** As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

**Classification of Revenues.** The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship discounts and allowances, 2) sales and services of auxiliary enterprises, 3) most federal, state and local grants and contracts, and 4) interest on institutional student loans.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Scholarship Discounts and Allowances.** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**NOTE 2 – Cash, Cash Equivalents, and Investments**

**Cash and Cash Equivalents.** The carrying amount of the University's deposits with the State Treasurer and other financial institutions at June 30, 2014 and 2013 were \$52,346,220 and \$38,321,097 respectively. The University's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in short-term investments with the exception of the bond funds. All bond proceeds are invested in conjunction with specifications stated in the bond resolutions.

**Investments.** The University's total investments at June 30, 2014 and 2013 were \$84,493 and \$205,668 respectively and are administered by the Kansas Development Finance Authority. These monies represent bond reserve requirements.

**NOTE 3 - Accounts Receivable**

Accounts receivable net of estimated uncollectible amounts, consisted of the following at June 30:

	2014	2013
Tuition and Fees	\$ 944,189	\$ 859,095
Auxiliary enterprises	108,650	122,900
Grants & Contracts	614,084	603,606
Other	94,508	92,089
Total	\$ 1,761,431	\$ 1,677,690

**NOTE 4 – Loans to Students**

Student loans made through the Federal Perkins Loan and Nursing Student Loan Programs comprise substantially all of the loans to students at June 30, 2014 and 2013. The Perkins Loan Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts cancelled under these provisions.

As the University determines that loans are uncollectable and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2014 and 2013, the allowance for uncollectible loans was estimated to be \$764,500 and \$670,997, respectively.

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 5 – Inventories**

Inventories consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Physical Plant	\$ 216,086	\$ 185,938
Other	98,167	110,291
Total	<u>\$ 314,253</u>	<u>\$ 296,229</u>

**NOTE 6 – Capital Assets**

Capital asset activity for the year ended June 30, 2014 and June 30, 2013 are as follows:

	<u>2014</u>			
	<u>Balance Remaining</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 6,131,489	\$ 78,926	\$	\$ 6,210,415
Land Improvements	6,599,065	147,500		6,746,565
Works of Art	782,264			782,264
Buildings & Improvements	165,236,569	1,790,518		167,027,087
Equipment & Furnishings	17,415,319	834,699	217,212	18,032,806
Vehicles	2,101,258	118,259	58,602	2,160,915
Software	1,844,810	62,060		1,906,870
Total	<u>\$ 200,110,774</u>	<u>\$ 3,031,962</u>	<u>\$ 275,814</u>	<u>\$ 202,866,922</u>
Less accumulated depreciation:				
Land Improvements	\$ 2,980,431	\$ 228,973	\$	\$ 3,209,404
Buildings & Improvements	56,443,814	3,815,623		60,259,437
Equipment & Furnishings	13,178,652	1,407,510	154,595	14,431,567
Vehicles	1,733,379	135,392	58,602	1,810,169
Software	1,224,025	142,408		1,366,433
Total accumulated depreciation	<u>\$ 75,560,301</u>	<u>\$ 5,729,906</u>	<u>\$ 213,197</u>	<u>\$ 81,077,010</u>
Capital assets, net	<u>\$ 124,550,473</u>	<u>\$ (2,697,944)</u>	<u>\$ 62,617</u>	\$ 121,789,912
Construction In Progress				<u>39,076,419</u>
				<u>\$ 160,866,331</u>

The University elected not to capitalize its library book collections. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep encumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time of purchase rather than be capitalized.

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

	2013			
	Balance Remaining	Additions	Retirements	Ending Balance
Land	\$ 6,036,652	\$ 94,837	\$	\$ 6,131,489
Land Improvements	6,333,867	265,198		6,599,065
Works of Art	782,264			782,264
Buildings & Improvements	156,526,672	8,709,897		165,236,569
Equipment & Furnishings	16,933,836	1,578,165	1,096,682	17,415,319
Vehicles	1,953,765	209,035	61,542	2,101,258
Software	2,006,910		162,100	1,844,810
Total	\$190,573,966	\$ 10,857,132	\$ 1,320,324	\$ 200,110,774
Less accumulated depreciation:				
Land Improvements	\$ 2,747,937	\$ 232,493	\$	\$ 2,980,431
Buildings & Improvements	52,697,105	3,746,709		56,443,814
Equipment & Furnishings	12,830,058	1,230,735	882,140	13,178,653
Vehicles	1,677,772	115,553	59,946	1,733,379
Software	1,214,567	155,348	145,890	1,224,025
Total accumulated depreciation	\$ 71,167,439	\$ 5,480,838	\$ 1,087,976	\$ 75,560,301
Capital assets, net	\$ 119,406,528	\$ 5,376,293	\$ 232,348	\$ 124,550,473
Construction In Progress				10,016,800
				\$ 134,567,273

**NOTE 7 – Deferred Revenue**

Deferred revenues consisted of the following at June 30:

	2014	2013
Tuition and Fees	\$ 1,619,564	\$ 804,494
Grants & Contracts	661,323	951,991
Capital Appropriations*	209,197	1,156,731
Auxiliary enterprises	121,268	124,711
	\$ 2,611,352	\$ 3,037,927

\*Deferred Revenue for Capital Appropriations is the unspent portion of the University's allocation from the Kansas Board of Regents from the Rehabilitation and Repair Projects Fund. The decrease in deferred revenue is the result of the University using reserved funds for the Heckert Wells HVAC project.

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 8 - Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2014 and June 30, 2013 was as follows:

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 31,835,000	\$ 33,335,000	\$ 1,635,000	\$ 63,535,000	\$ 1,965,000
Bond anticipation note payable	8,998,205	0	8,998,205	0	0
Lease obligations	3,645,578	18,484	343,599	3,320,463	358,616
Total long-term liabilities	<u>\$ 44,478,783</u>	<u>\$ 33,353,484</u>	<u>\$ 10,976,804</u>	<u>\$ 66,855,463</u>	<u>\$ 2,323,616</u>

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 33,400,000	\$ 0	\$ 1,565,000	\$ 31,835,000	\$ 1,635,000
Bond anticipation note payable	0	8,998,205	0	8,998,205	8,998,205
Lease obligations	4,102,785	0	457,207	3,645,578	337,375
Total long-term liabilities	<u>\$ 37,502,785</u>	<u>\$ 8,998,205</u>	<u>\$ 2,022,207</u>	<u>\$ 44,478,783</u>	<u>\$ 10,970,580</u>

**NOTE 9 - Revenue Bonds Outstanding**

Revenue bonds payable consist of the following:

	Principal Outstanding at 6/30/14
Kansas Development Finance Authority Revenue Bonds – Series A, 2014 (The Board of Regents - Pittsburg State University Projects) \$35,175,000 Due in annual installments of 385,000 to 2,345,000. Issued 4/1/2014 with a final maturity on 10/1/2034. Interest ranging from 3.0% to 4.25% payable semi-annually.	35,175,000
Kansas Development Finance Authority Revenue Bonds – Series 2011D, 2011 (The Board of Regents – Pittsburg State University Refinance & New Energy Conservation Bonds) \$9,465,000 Due in annual installments of \$435,000 to \$895,000. Issued 4/14/11 with a final maturity on 4/1/2024. Interest ranging from 2.0% to 4.4% payable semi-annually.	7,180,000
Kansas Development Finance Authority Revenue Bonds – Series H-1 & H-2, 2009 (The Board of Regents – Pittsburg State University Housing System Improvement Project) \$14,630,000 Due in annual installments of \$380,000 to \$975,000. Issued 6/17/09 with a final maturity on 10/1/2034. Interest ranging from 2.5% to 7.3% payable semi-annually.	13,460,000

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

	Principal Outstanding at 6/30/14
Kansas Development Finance Authority Revenue Bonds – Series G, 2009 (The Board of Regents – Pittsburg State University Bryant Student Health Center) \$825,000 Due in annual installments of \$50,000 to \$70,000. Issued 6/17/09 with a final maturity on 10/1/2023. Interest ranging from 2.5% to 4.75% payable semi-annually.	590,000
Kansas Development Finance Authority Revenue Bonds – Series J-1 & J-2, 2009 (The Board of Regents – Pittsburg State University Parking System Project) \$4,545,000 Due in annual installments of \$160,000 to \$330,000. Issued 6/17/09 with a final maturity on 10/1/2029. Interest ranging from 2.5% to 7.0% payable semi-annually.	3,880,000
Kansas Development Finance Authority Revenue Bonds – Series D, 2005 (The Board of Regents – Pittsburg State University Kansas Polymer Research Center) \$3,000,000 Due in annual installments of \$155,000 to \$850,000. Issued 4/1/06 with a final maturity on 10/1/2021. Interest is 5.18% payable semi-annually.	3,000,000
Kansas Development Finance Authority Revenue Bonds - Series A-2, 2003 (The Board of Regents - Pittsburg State University Overman Student Center Project) \$2,610,000 Due in two final installments of \$135,000 to \$115,000. Issued 1/28/03 with a final maturity on 4/1/2023. Interest ranging from 1.8% to 5.25% payable semi-annually.	250,000

**NOTE 10 - Revenue Bonds Maturity Schedule**

Maturities of principal and interest requirements on revenue bonds payable for the year ended June 30, 2013 are as follows:

Year Ending June 30:	Principal	Interest	Total
2015	\$ 1,965,000	\$ 2,986,202	\$ 4,951,202
2016	2,565,000	2,701,945	5,266,945
2017	2,970,000	2,604,768	5,574,768
2018	3,065,000	2,496,565	5,561,565
2019-2023	18,040,000	10,292,835	28,332,835
2024-2028	13,770,000	6,902,024	20,672,024
2029-2033	15,120,000	3,438,498	18,558,498
2034-2035	6,040,000	303,186	6,343,186
Total	\$ 63,535,000	\$ 31,726,023	\$ 95,261,023

**NOTE 11 - Lease Obligations**

Pittsburg State University is obligated for the purchase of certain equipment funded through the issuance of blanket financing agreements in the amount of \$3,320,463 and \$3,645,579 as of June 30, 2014 and 2013, respectively. Included in this balance is the \$4.5 million Master Lease Purchase agreement between the University and the State for the University's Energy Performance Contract. The University is responsible for repaying the State for the 20-year term of the lease.

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

Payments to liquidate these obligations as of June 30, 2014 are scheduled as follows:

Year Ending June 30:	Total
2015	\$ 358,616
2016	349,318
2017	358,605
2018	374,822
2019 and thereafter	1,879,102
Total	\$ 3,320,463

**NOTE 12 - Retirement Plans**

University employees participate in two separate retirement programs. Classified employees participate in the "Kansas Public Employees Retirement System" (KPERs). This defined benefit program is funded through contributions by the University and the individual employees. The University contributed \$1,108,473 and \$1,033,654 during fiscal years 2014 and 2013, respectively, and individual employees contributed \$509,378 and \$477,117. Unclassified employees participate in the "Board of Regents Retirement Plan". This defined contribution program is funded through contributions by the University and the individual employees. The University contributed \$2,951,441 and \$2,908,354 during fiscal years 2014 and 2013, respectively, and individual employees contributed \$1,862,077 and \$1,843,496.

**NOTE 13 – Other Postemployment Healthcare Benefits**

**Description.** Kansas statute provides that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements. The health insurance benefit generally provides the same coverage for retirees and their dependents as for active employees and their dependents. The health insurance benefit plan is a single employer defined benefit plan administered by Kansas Health Policy Authority. The benefit is available for selection at retirement and is extended to retirees and their dependents for life. Non-Medicare participants are subsidized by the State, thus resulting in a liability to the State. The accounting for the health insurance for retirees is included in the State's Self-Insurance Health fund, with the subsidy provided from the Self-Insurance Health fund.

**Funding Policy.** The University provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 75-6511). Kansas statute, which may be amended by the state legislature, established that participating retirees contribute to the employee group health fund benefits plan, including administrative costs.

The University does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group.

**Annual OPEB Cost and Net OPEB Obligation.** GASB 45 requires accrual-based measurement and recognition of OPEB expenses, such as retiree medical and dental costs, over the employees' years of service, along with the related liability. The University's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the University's annual OPEB cost for the year, the University's contribution to the plan, and changes in the University's net OPEB obligation.

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

Amortization of UAAL	\$ 284,000
Normal cost (with interest)	<u>314,000</u>
Annual OPEB cost (expense)	598,000
Interest on Net OPEB Obligation	106,000
Adjustment to the ARC	<u>(157,000)</u>
Increase in OPEB obligation	547,000
Net Employer Contributions	(200,000)
Net OPEB obligation July 1, 2012	<u>2,763,000</u>
Net OPEB obligation June 30, 2013	<u><u>\$ 3,110,000</u></u>

**Schedule of Employer Contributions (for fiscal year ended)**

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2012	\$530,000	\$216,000	41%	\$2,398,000
2013	\$552,000	\$187,000	34%	\$2,763,000
2014	\$547,000	\$200,000	37%	\$3,110,000

**Funded Status and Funding Progress.** As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$5,265,000. The University's policy is to fund the benefits implicitly through rate subsidization, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,265,000. The covered payroll (annual payroll of active employees covered by the plan) was \$49,931,000, and the ratio of the UAAL to the covered payroll was 11 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

**Schedule of Funding Progress:**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/2012	\$0	\$5,009,000	\$5,009,000	0%	\$49,317,000	10%
6/30/2013	\$0	\$5,077,000	\$5,077,000	0%	\$50,008,000	10%
6/30/2014	\$0	\$5,265,000	\$5,265,000	0%	\$49,931,000	11%

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**Actuarial Methods and Assumptions.** Projections of benefits for reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.85 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 5.5 to 10 percent in the first ten years and an ultimate rate of 5.0 percent after ten years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30 year open period in level dollar amounts.

**NOTE 14 - Commitments and Contingent Liabilities**

At June 30, 2014 and 2013 the University had outstanding commitments under construction contracts totaling \$22,308,506 and \$31,190,028, respectively.

The University is not a defendant in any lawsuit, nor is it currently involved as a plaintiff in any litigation in State or Federal Court.

The University maintains specific insurance coverage as allowed by the State of Kansas and as required by outstanding bond issues. To a large extent, the University follows a policy of self-insurance. Certain claims against the University would require legislative approval (and potential funding) prior to settlement. The University is not aware of any significant outstanding claims as of June 30, 2014.

The University does not insure State-owned automobiles for bodily injury and property damages of State employees. Buildings are insured with a policy that has a \$0.25 million deductible per occurrence and a maximum annual liability of \$500 million per occurrence.

In the normal course of operations, the University receives grants and other forms of reimbursement from various Federal and State agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing of such funds. University officials believe that the liability, if any, for any reimbursement that may arise as the result of audits, would not be material.

**NOTE 15 – Other Grants**

The June 30, 2007 edition of GASB's *Comprehensive Implementation Guide* instructed that "Because of public institutions' administrative involvement with Pell grant requirements and because Pell grants are non-exchange transactions, public institutions should record Pell grant receipts as nonoperating revenues in their financial statements and any amounts applied to student receivable accounts should be recorded as scholarship discounts or allowances". Therefore the June 30, 2014 and 2013 Statement of Revenues, Expense, and Changes in Net Assets reflect the Pell grant reclassification from Federal grants and contracts to other nonoperating revenues.

Other grant nonoperating revenues accounting reclassification for the year ended June 30 are as follows:

	2014	2013
Pell Grants	\$ 10,443,682	\$ 10,585,260
SEOG Grants	179,395	179,170
Regents Supplemental Grants	722,713	717,204
Total	\$ 11,345,790	\$ 11,481,634

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 16 – Natural Classifications with Functional Classifications**

The University's operating expenses by functional and natural classification as of June 30, 2014 and June 30, 2013 are as follows:

	2014					Total
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	
Educational and general						
Instruction	\$ 32,495,850	\$	\$ 1,748	\$ 3,798,674	\$	\$ 36,296,272
Research	1,594,777		1,667	505,331		2,101,775
Public service	1,242,022		850	507,746		1,750,618
Academic support	6,979,154			3,175,276		10,154,430
Student services	6,686,088			2,366,134		9,052,222
Institutional support	5,642,798		(273)	2,385,035		8,027,560
Operations and maintenance of plant	6,922,843		1,760,835	1,428,899		10,112,577
Depreciation					5,729,906	5,729,906
Scholarships and fellowships		8,938,929				8,938,929
Auxiliary enterprises:						
Housing	1,861,426		632,622	2,909,816		5,403,864
Parking	80,033			155,244		235,277
Health Services	1,052,500		19,208	250,256		1,321,964
Student Center	7,830		145,151	864,502		1,017,483
Athletics	361,710			2,421,153		2,782,863
Student Publications	448			139,938		140,386
Other				137,942		137,942
<b>Total</b>	<b>\$ 64,927,479</b>	<b>\$ 8,938,929</b>	<b>\$2,561,808</b>	<b>\$21,045,946</b>	<b>\$ 5,729,906</b>	<b>\$103,204,068</b>

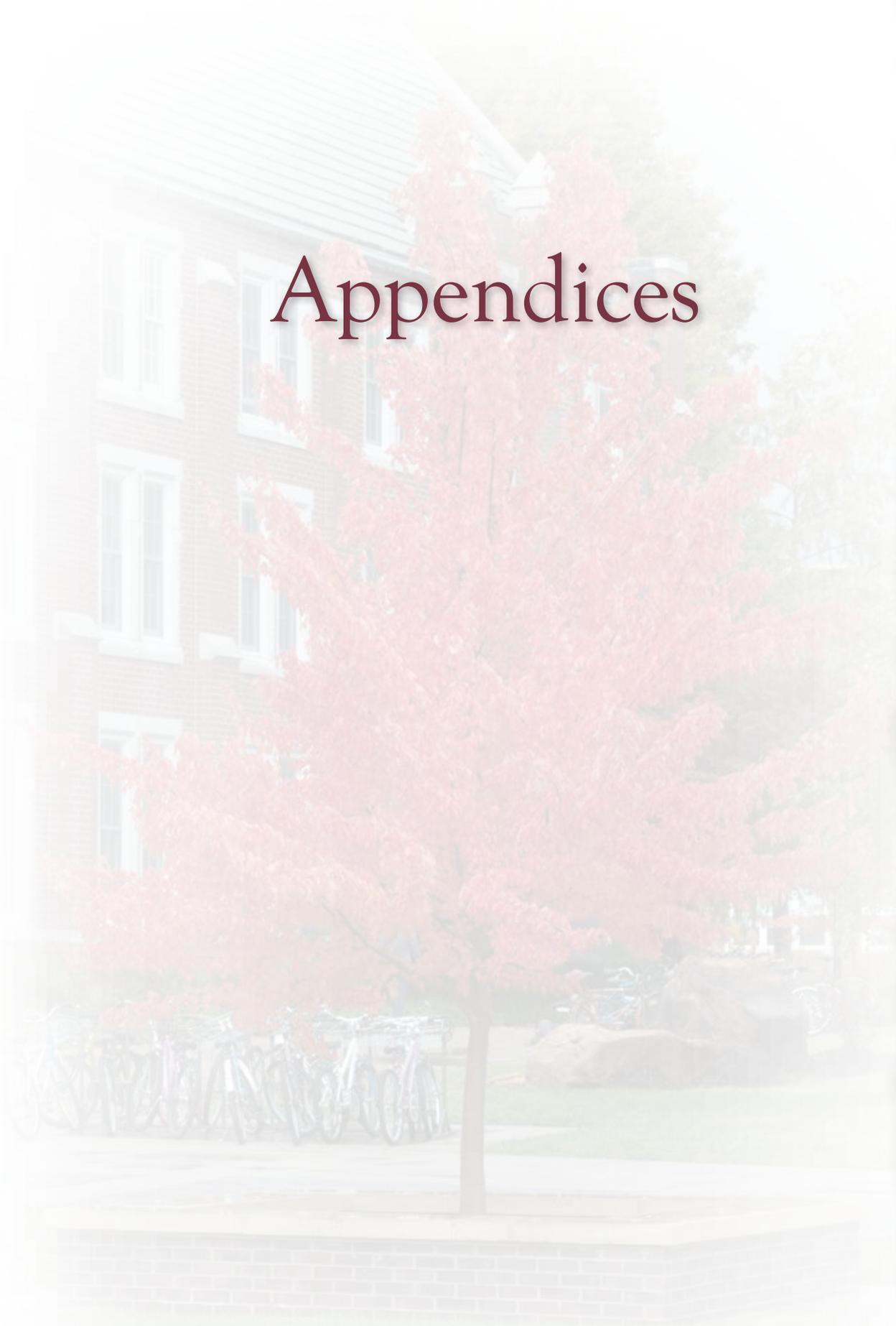
**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

	2013					
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Educational and general						
Instruction	\$ 32,240,674	\$	\$ 137	\$ 3,179,382	\$	\$ 35,420,193
Research	1,355,634			440,182		1,795,816
Public service	1,320,458		768	461,792		1,783,018
Academic support	6,926,653			2,961,574		9,888,227
Student services	6,386,014			2,490,425		8,876,439
Institutional support	5,654,184		771	1,912,991		7,567,946
Operations and maintenance of plant	6,755,332		1,557,942	1,017,130		9,330,404
Depreciation					5,480,838	5,480,838
Scholarships and fellowships		9,583,514				9,583,514
Auxiliary enterprises:						
Housing	1,905,988		537,430	3,335,295		5,778,413
Parking	22,781			194,660		217,441
Health Services	1,040,070		17,308	225,005		1,282,383
Student Center	(689)		106,006	1,095,845		1,201,162
Athletics	394,218			2,457,202		2,851,420
Student Publications	463			148,870		149,333
Other				281,728		281,728
Total	<u>\$ 64,001,780</u>	<u>\$ 9,583,514</u>	<u>\$ 2,220,062</u>	<u>\$20,202,081</u>	<u>\$ 5,480,838</u>	<u>\$101,488,275</u>

**Note 17 – Prior Period Adjustment**

The June 30, 2013 Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows have been restated to reflect the accounting change for the inclusion of the Pittsburg State University Research Foundation, Inc. as a blended component unit. This resulted in an increase in Net Position of \$48,737 as well as a decrease in Operating Income (Loss) of \$20,632 and an increase of \$69,369 in the 2013 Beginning Net Position.

# Appendices



Pittsburg State University Foundation, Inc.  
 Statements of Financial Position  
 June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 593,011	\$ 411,030
Interest receivable	22,933	28,829
Student loans receivable	534	3,462
Allowance for doubtful loan accounts	(267)	(2,404)
Contributions receivable	12,345,242	6,065,064
Note receivable	-	9,109
Specific investments	172,034	152,405
Pooled investments	77,029,021	76,128,716
Fixed assets - net of depreciation	825,397	868,348
Advances for loan matching	183,135	183,135
Total Assets	\$ 91,171,040	\$ 83,847,694
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 17,021,753	\$ 18,822,441
Interest payable	8,309	6,360
Agency funds - nine pay twelve	305,926	275,856
Notes payable	2,357,911	1,648,600
Annuity liabilities	324,304	242,074
Total Liabilities	20,018,203	20,995,331
 <b>Net Assets</b>		
Unrestricted net assets	20,721,704	6,745,631
Temporarily restricted net assets	12,757,023	19,910,436
Permanently restricted net assets	37,674,110	36,196,296
Net Assets	71,152,837	62,852,363
Total Liabilities and Net Assets	\$ 91,171,040	\$ 83,847,694

Pittsburg State University Foundation, Inc.  
 Statements of Activities  
 Years Ended June 30, 2014 and 2013

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2014 Totals	2013 Totals
<b>Revenues, gains and other support</b>					
Contributions	\$ 12,104,271	\$ 1,564,485	\$ 1,388,354	\$ 15,057,110	\$ 24,882,893
Investment Income	1,161,769	12,497	-	1,174,266	938,891
Net realized gain on investments	2,585,612	2,394	199,127	2,787,133	4,369,209
Net unrealized gain on investments reported at fair value	1,336,549	98,836	4,718,815	6,154,200	3,277,216
Interest and service charges on student loans	-	-	1,139	1,139	2,141
Other miscellaneous revenue	1,178,824	-	-	1,178,824	1,112,630
Net assets released from restrictions	13,661,246	(8,831,625)	(4,829,621)	-	-
Total revenues, gains and other support	<u>32,028,271</u>	<u>(7,153,413)</u>	<u>1,477,814</u>	<u>26,352,672</u>	<u>34,582,980</u>
<b>Expenses</b>					
Program services					
Scholarships, grants & awards	2,976,060	-	-	2,976,060	3,131,029
Marketing	9,508	-	-	9,508	9,154
Classroom instruction aids & other Univ. expenses	1,471,724	-	-	1,471,724	1,176,842
Faculty/professional development	115,485	-	-	115,485	105,741
Student loan bad debt allowance	(440)	-	-	(440)	21
Student loan collection expense	558	-	-	558	43
Other special Univ. projects	12,302,610	-	-	12,302,610	25,180,689
Total program services	<u>16,875,505</u>	<u>-</u>	<u>-</u>	<u>16,875,505</u>	<u>29,603,519</u>
Support services					
Salaries	279,058	-	-	279,058	276,556
Promotion	6,473	-	-	6,473	6,730
Auditing & investment counsel	48,576	-	-	48,576	43,147
Investment management fees	348,164	-	-	348,164	263,374
Equipment, service contracts and repairs	23,889	-	-	23,889	46,977
Postage	24,664	-	-	24,664	28,922
Insurance	11,339	-	-	11,339	22,734
Repairs and maintenance building and grounds	34,871	-	-	34,871	33,260
Publications	15,329	-	-	15,329	11,518
Planned Giving	17,042	-	-	17,042	20,463
Telephone	29,293	-	-	29,293	23,713
Utilities	14,533	-	-	14,533	13,489
Depreciation	59,617	-	-	59,617	68,284
General operating	162,153	-	-	162,153	152,781
Alumni activities	61,722	-	-	61,722	53,598
Travel	26,431	-	-	26,431	46,028
Miscellaneous	13,539	-	-	13,539	13,232
Total support services	<u>1,176,693</u>	<u>-</u>	<u>-</u>	<u>1,176,693</u>	<u>1,124,806</u>
Total expenses	<u>18,052,198</u>	<u>-</u>	<u>-</u>	<u>18,052,198</u>	<u>30,728,325</u>
Increase (decrease) in net assets	<u>13,976,073</u>	<u>(7,153,413)</u>	<u>1,477,814</u>	<u>8,300,474</u>	<u>3,854,655</u>
Net assets at beginning of year	<u>6,745,631</u>	<u>19,910,436</u>	<u>36,196,296</u>	<u>62,852,363</u>	<u>58,997,708</u>
Net assets at end of year	<u>\$ 20,721,704</u>	<u>\$ 12,757,023</u>	<u>\$ 37,674,110</u>	<u>\$ 71,152,837</u>	<u>\$ 62,852,363</u>

**Pittsburg State University Alumni Association**

**Statement of Financial Position**

**June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current Assets</b>		
<b>Cash and cash equivalents</b> - held by Pittsburg State University	\$ 23,060	\$ 20,136
<b>Cash and cash equivalents</b> - held by Pittsburg State University Foundation, Inc.	<u>702,433</u>	<u>600,895</u>
<b>Total Current Assets</b>	<u>\$ 725,493</u>	<u>\$ 621,031</u>
<b>Total Assets</b>	<u><u>\$ 725,493</u></u>	<u><u>\$ 621,031</u></u>
<b>Net Assets</b>		
<b>Unrestricted</b>	<u>\$ 725,493</u>	<u>\$ 621,031</u>
<b>Total Net Assets</b>	<u><u>\$ 725,493</u></u>	<u><u>\$ 621,031</u></u>

Pittsburg State University Alumni Association, Inc. is a legally separate 501(c)(3) non-profit entity, however all assets of the Association are held in trust by either Pittsburg State University or Pittsburg State University Foundation, Inc. The Alumni Association is a component unit of the University for financial reporting purposes, and the University is a component unit of the State of Kansas.

**Pittsburg State University Alumni Association**

**Statement of Activities**

**Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Operating Revenues:</b>		
University Support	\$ 204,703	\$ 190,866
Foundation Support	41,456	40,000
Royalties	22,507	8,144
License Plate Royalty and Admin Fee	61,050	39,140
Gorilla Fest	11,900	11,418
Family Events	1,361	737
Gorilla Gatherings	9,259	12,173
Reunions	7,769	6,110
Student Programs	250	204
Other Revenues	690	2,604
<b>Total Operating Revenues</b>	<u>360,944</u>	<u>311,397</u>
<b>Operating Expenses:</b>		
Salaries and Wages	196,706	187,372
General Administrative Exp	16,311	15,638
Alumni Legacy Scholarship	30,250	49,070
Gorilla License Plate Program	17,394	1,734
Gorilla Fest	12,135	12,177
Family Events	2,729	3,338
Gorilla Events	31,459	38,701
Reunions	15,288	18,912
PSU Magazine Advertising	5,989	5,666
Giveaways	3,952	3,525
On Line Community	2,115	2,351
Skybox Expense	1,867	2,763
Campus Relations	1,732	2,001
Association Board	1,246	1,367
Student Programs	3,970	4,499
Awards	12,333	11,297
Membership	-	413
<b>Total Operating Expenses</b>	<u>355,475</u>	<u>360,823</u>
<b>Operating Income (Loss)</b>	5,469	(49,425)
<b>Nonoperating Revenues (Expenses):</b>		
Donations	600	450
Endowment Earnings from Investments held by PSU Foundation, Inc.	98,394	67,567
<b>Net Nonoperating Revenues</b>	<u>98,994</u>	<u>68,017</u>
<b>Increase (decrease) in Net Assets</b>	104,462	18,591
<b>Net Assets:</b>		
<b>Beginning</b>	<u>621,031</u>	<u>602,440</u>
<b>Ending</b>	<u>\$ 725,493</u>	<u>\$ 621,031</u>